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UNCLAS SECTION 01 OF 02 MAPUTO 001755

SIPDIS

STATE FOR INL, AF/S, AF/RSA

JUSTICE FOR OIA, AFMLS

TREASURY FOR FINCEN

E.O. 12958: N/A

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SUBJECT: MOZAMBIQUE INCSR PART II SUBMISSION - MONEY  
LAUNDERING AND FINANCIAL CRIMES

REF: A) STATE 324347

B) STATE 328024

1. Per ref A, below is post's submission for 2003-2004

INCSR, Part II:

Mozambique is not a regional financial center. Money laundering in Mozambique is related to bank fraud and corruption. Lax oversight and weak banking regulations make Mozambique's financial institutions vulnerable to money laundering. The proceeds of stolen vehicles sales, narcotics-trafficking, prostitution, trafficking in persons, arms trafficking, and contraband smuggling are laundered through Mozambique's financial institutions. Mozambique's non-bank financial sector, primarily comprised of exchange houses, is considered highly susceptible to money laundering. IN OCTOBER 2003, A MAJOR MAPUTO EXCHANGE HOUSE, UNICAMBIOS, WAS ORDERED CLOSED BY THE FINANCE MINISTER AT THE RECOMMENDATION OF THE CENTRAL BANK OF MOZAMBIQUE. THE CONVICTION OF SIX DEFENDANTS ON THE CARDOSO MURDER TRAIL IN JANUARY 2003 AND THE OPENING OF THE RELATED BCM BANK FRAUD TRAIL IN DECEMBER 2003 HAVE GREATLY INCREASED PUBLIC AWARENESS OF CORRUPTION AND FINANCIAL CRIMES. THE MURDER OF JOURNALIST CARLOS CARDOSO IN 2000 WAS DUE TO HIS INVESTIGATIONS INTO THE 1996 BCM BANK FRAUD AND THE DEFENDANTS IN BOTH TRAILS HAVE IMPLICATED BANKING OFFICIALS IN ILLEGAL ACTIVITIES INVOLVING LARGE AMOUNT OF CASH. Mozambique's National Assembly passed an anti-money laundering law in December 2001, which was ratified by the Council of Ministers on February 5, 2002. As of the end of 2003, however, implementing regulations had not been promulgated. The law extends the crime of money laundering to encompass predicate offenses beyond narcotics-trafficking to most other serious crimes. The law also allows for asset seizure and forfeiture and requires financial institutions to verify the identity of their customers, keep transaction records for at least 15 years, and report suspicious transactions. The law protects employees of financial institutions who cooperate with money laundering investigations and exempts such cooperation from bank and professional secrecy rules. The law also contains "banker negligence" provisions, which hold individual bankers responsible for money laundering.

Bankers have the right to refuse service to anyone who refuses to identify the beneficiary of an account. Judicial authorities are given the right to request account information from financial institutions and to gain access to computer records from banks, individuals, and companies that are suspicious. Judicial authorities also have the right to authorize the tapping of phone conversations as part of financial investigations.

IN OCTOBER 2003, THE NATIONAL ASSEMBLY PASSED THE ANTI-CORRUPTION LAW. THE LEGISLATION AIMS TO FIGHT CORRUPTION IN GOVERNMENT OFFICES, AND ALSO IN HOSPITALS, SCHOOLS, AND THE POLICE. THE LAW PROVIDES MORE PROTECTION FOR WHISTLE-BLOWERS AND MODIFIES A KEY PROVISION ON REQUESTS FOR PERMITS. THE LAW COVERS OFFICIALS WORKING FOR GOVERNMENT ENTITIES, PUBLICLY-OWNED COMPANIES, AND PRIVATE COMPANIES WITH STATE CONTRACTS OR THE STATE AS THE MAJORITY SHAREHOLDER. THE MAXIMUM SENTENCE FOR SOLICITING BRIBES IS NOW RAISED TO EIGHT YEARS. AUDITORS WILL BE OBLIGED TO REPORT SIGNS OF CORRUPT PRACTICES TO THE ATTORNEY GENERAL'S ANTI-CORRUPTION UNIT, OR FACE A FINE OF UP TO \$84,000.

The government's inter-ministerial working group dealing with money laundering, terrorist finance, and other financial crimes was reorganized in the last quarter of 2003. Its leadership has been shifted from the Interior Ministry to the Central Bank, and also includes participation by the Ministries of Finance, Foreign Affairs, and Justice.

Customs regulations require those entering or leaving the country with foreign currency or negotiable instruments in amounts greater than \$5,000 to file a report with Customs. Taking local currency out of the country is prohibited. The Government of Mozambique (GOM) has the authority to freeze and seize assets related to terrorist financing. The GOM has circulated the list of terrorist individuals and entities designated by the UN 1267 Sanctions Committee, as well as the list of Specially Designated Global Terrorists designated by the United States pursuant to E.O. 13224. Mozambique is a member of the Eastern and Southern Africa Anti-Money Laundering Group, a FATF-style regional body. Mozambique ratified the UN International Convention for the

Suppression of the Financing of Terrorism in January 2003.  
Mozambique is a party to the 1988 UN Drug Convention. It has  
signed, but not yet ratified, the UN Convention against  
Transnational Organized Crime, which entered into force in  
September 2003.  
Mozambique should implement its anti-money laundering law,  
establish a Financial Intelligence Unit, and criminalize  
terrorist financing.  
HANKINS